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UNITED STATES DEPARTMENT OF AGRICULTURE  
War Food Administration

Reserve

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A STATEMENT ON FATS AND OILS

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Cottonseed is one of the major domestic sources of our edible vegetable oil supply. Attached are tabulations showing the average production of cottonseed oil for the pre-war period 1935-1939, and the production for each of the calendar years 1942 to 1944, inclusive. Similar data are shown for soybean, peanut, and corn oil.

There are also attached tabulations showing the consumption, importation, and exportation of certain other oils, as well as for lard.

Due to military and export requirements of edible oils and fats, it continues to be necessary to restrict total domestic civilian consumption of edible oil to 83 percent of the average use during the calendar years 1940 and 1941. Except for small quantities allocated for specialized uses, consumption of edible liquid oils is restricted to edible channels.

Under WFO-29 cottonseed, peanut, soybean and corn oils are allocated each calendar year quarter to refiners, non-refining shortening manufacturers, and margarine manufacturers for their production of food products. These allocations include their civilian quotas plus requirements for the military, Lend-Lease, commercial exports and for specialized industrial purposes.

A policy of equitable distribution of the oils available is observed in this allocation by taking into account the requests for each kind of oil desired by the user, compared the total available supply of that particular oil, and the manufacturer's total edible oils quota.

To prevent maldistribution within the industry, specific authorization is required to deliver and to receive refined cottonseed, peanut, soybean or corn oil. Under a partial suspension of the order, no authorization is now required for the producer mills to deliver these crude oils to any specific refiner or for the refiner to accept any particular delivery. However, specific authorization is required where the producer mills deliver these crude oils to industrial users.

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The support price programs now in effect are:

Cottonseed:

Minimum prices paid by processing mills for cottonseed have been established during the current and for the two preceding crop years. These prices are related to the Office of Price Administration ceiling prices for cottonseed products. For 1944, the price of cottonseed is supported by an open offer made by the Commodity Credit Corporation to cottonseed oil mills. Mills accepting this open offer agree to pay at least the following prices for basic grade (100) cottonseed in lots of 5 tons or more f.o.b. shipping point:

- (a) \$55.00 per ton in Oklahoma, Texas (except Bowie County) and New Mexico.
- (b) \$56.00 per ton in other states and Bowie County, Texas. Premiums and discounts are specified for cottonseed above or below basic grade.

Commodity Credit Corporation agrees to purchase cottonseed oil and meal or cake from processors accepting the offer at specified prices. The Corporation agrees also to purchase a minimum quantity of cotton linters of chemical grade quality produced by such mills at the applicable OPA ceiling price.

Soybeans:

Prices to farmers for soybeans are supported through loans to producers, purchases by Commodity Credit Corporation through elevator operators and committees, and contracts with soybean processors. For 1944 the base support price is \$.2.04 per bushel for green and yellow soybeans, and \$.1.34 for brown, black or mixed soybeans grading No. 2 or better with 14 percent moisture content when delivered to country elevators or other normal producer delivery points. Premiums are provided for low moisture content down to 11 percent, and discounts are established for lower grades. Under its processor contracts Commodity Credit Corporation purchases soybeans from the processor at the base support prices specified above, and resells them to processors for crushing at varying prices based upon the oil and meal outturn values at the plant location, type of equipment used, size of plant, and the oil content of the soybeans as determined by chemical analysis.

Peanuts:

The prices for farmer's stock Spanish peanuts having a sound mature kernel content of 70 percent and farmers' stock Virginia and Valencia peanuts having a sound mature kernel content of 65 percent are

supported at \$160.00 per ton. Prices for farmers' stock Runner peanuts having a sound mature kernel content of 65 percent are supported at \$145.00 per ton. Premiums and discounts are established for variations in sound mature kernel content and quality. These prices are supported through contracts with shellers, crushers, seed dealers, and farmer cooperatives who purchase, at not less than the minimum support prices, all peanuts for the account of Commodity Credit Corporation. The contracts with shellers and crushers provide that Commodity Credit Corporation will sell the peanuts purchased to the contractor for processing at prices which are related to the applicable OPA ceilings. Under those contracts the Corporation agrees to repurchase farmers' stock peanuts from the sheller, and at the option of the Corporation, to repurchase either farmers' stock peanuts or peanut oil and cake from the crusher. Such repurchases are made at the prices specified in the contracts.

Corn Oil:

Corn oil is a by-product resulting from certain corn processing industrial operations. It has not been deemed necessary to enter into any underwriting operations with respect to the production of corn oil.

Actual farm prices for cottonseed, peanuts, soybeans, and flaxseed as a percentage of parity, or comparable prices, on October 15, 1944, were:

Cottonseed	138
Peanuts, for nuts	94
Peanuts, for oil	193
Flaxseed	101
Soybeans	125

The October fats and oil situation published by the Bureau of Agricultural Economics, U. S. Department of Agriculture, states:

"World Demand to Increase with Resumption of European Imports"

The principal new factor in world demand for fats and oils is the renewal of import demand by the countries of continental Europe. This will more than offset any reduction in Russian requirements resulting from recovery of the Ukraine and other oilseed-producing regions. Pre-war imports of fats and oils into continental Europe, exclusive of Russia, averaged about 4.5 billion pounds annually (including whale oil and the oil content of oil-bearing materials), of which approximately 2 billion pounds went to France, Belgium, Holland, and Italy.

"Peak demand for fats and oils to be supplied from the United States may be reached in 1945. By 1946 world supplies may be materially increased by exports from the Far East, by expanded production of whale oil, and by greater availability of supplies in South America."

"The post-war outlook for fats and oils produced in the United States includes the probability of a continued upward trend in domestic civilian consumption. Over the decade from the late 1920's to the late 1930's there was an increase of 1.3 billion pounds in the annual disappearance of fats and oils in the United States. If economic activity is at a fairly high level in the late 1940's, domestic disappearance of fats and oils may increase another 1 to 1.5 billion pounds over 1939 to 10.5 or 11 billion pounds at prices somewhat higher than in 1939."

In the period 1935-39 the United States consumed 6 1/4 billion pounds of fats and oils as food annually. Nearly 60 percent of the total consisted of butter and lard. The balance of over 2.6 billion pounds consisted mainly of edible oils in the form of manufactured shortening, margarine, salad spreads, and cooking and salad oils. Of this quantity approximately 560 million pounds, or 21 percent, consisted of imported oils. Because of the sharp reduction in imports since 1941, the use of imported oils in food products has practically disappeared. Such imported oils and fats as we are now receiving are going almost exclusively into essential non-food products. This has meant that we have had to expand domestic production of edible oilseeds, mainly soybeans, to make up the deficit in edible oil supplies. In addition, our total consumption of food fats, including both civilian and military use, has been moderately increased. Moreover, demand for exports of food fats and oils to our Allies has mounted sharply since 1941. This year alone we shall have exported about 1.3 billion pounds of food fats and oils under Lend-Lease. Fortunately, we have had a record output of lard, and more than half of our total Lend-Lease shipments of food fats and oils this year will consist of lard. It has been possible also to ship fairly sizable quantities of linseed oil to Russia for use there as a food oil. In the post-war period, when export and military demands for food fats and oils will taper off and imports are resumed, there may need to be some reduction in our output of soybeans and flaxseed. But civilian consumption of food fats, unhampered by restrictions necessary in wartime, should expand.

The post-war values of most cottonseed products are inevitably related to the supply and demand for similar competing or interchangeable commodities. The post-war value of cottonseed will be affected not only by any changes in market prices of edible oils and protein feeds as groups, but by the additional factor of linter values. As a result of war demand for munitions, and increased industrial consumption in such widely separated fields as rayon and plastics, cotton linters have netted a greater return than can be hoped for in the post-war period, when wood pulp prices and adequate supplies of linters will become important market factors. At this time at least 80 percent of the total linters production is assigned by the War Production Board for the production of chemical pulp.

Recognizing the importance of income from cottonseed to the South, serious consideration should continue to be given to the maintenance of increased

consumption of all vegetable oilseeds products. Sound and comprehensive research programs will be most helpful in achieving this objective.

The wartime policy of the Government has been directed to meeting domestic as well as wartime prospective requirements for relief by continued large scale production, rather than by reserving large stock piles of products. This policy has made a larger proportion of total supplies available for current use. It also removes the market hazard inherent in accumulated inventories and its possible adverse effect on prices of subsequent crops.

For 1945, prospective supplies of oil and fats will meet a ready demand. Large quantities of protein will be required to reestablish European livestock economy. No one can now accurately forecast the time when vegetable oil production will be restored in certain world areas to a pre-war scale. Another price-making influence will be the rate of lard production in the post-war period. It is possible that a surplus may accumulate again, as it did prior to the beginning of the war in 1939, if and when European livestock production is restored. Production of lard and oilseeds is also being increased in other areas, notably South America.

If a larger proportion of our hog production were of bacon-type hogs, as is the case in Denmark and Canada, less lard would be produced. Such a change in production would be of interest to the hog farmer as well as the producer of oilseeds crops.

Fundamentally, however, we must strive to maintain a high level of domestic industrial activity so as to provide maximum employment. Adequate price levels to producers can be sustained by large scale buying power. It is the key to a sound and prosperous economy.

Attachments-3

SPECIFIED EDIBLE FATS AND OILS

TABLE I

PRODUCTION, IMPORTS, EXPORTS, DISAPPEARANCE AND STOCKS - PRE-WAR AVERAGE 1935-39 AND 1942, 1943 AND ESTIMATED FOR CALENDAR YEAR 1944

Cottonseed oil (Crude Basis)											
Stocks January 1	649,196	565,320	606,042	685,598	783,324	657,896	508,596	481,209	440,834		
Production	1,184,039	1,247,298	1,626,215	1,677,673	1,389,792	1,425,003	1,385,867	1,312,531	1,223,300		
Imports	177,081	136,310	207,050	83,329	31,617	127,077	9,046	13,115			
- Total Available	2,010,316	1,948,928	2,439,307	2,446,500	2,204,733	2,209,976	1,903,509	1,806,855	1,664,134		
Stocks December 31	565,320	606,042	685,598	783,324	777,179	683,492	481,209	440,834	542,200		
Total Disappearance	1,444,996	1,342,886	1,753,709	1,663,276	1,427,554	1,526,484	1,422,300	1,366,021	1,121,934		
Exports	4,090	3,149	7,591	4,872	13,646	6,670	21,351	51,864	5,000		
Domestic Disappearance	1,440,906	1,339,737	1,746,118	1,658,404	1,413,908	1,519,814	1,400,949	1,314,156	1,116,934		
Peanut oil (Crude Basis)											
Stocks January 1	27,160	30,321	29,215	24,698	27,557	27,790	43,608	27,008	54,500		
Production	44,673	70,214	50,756	78,152	73,138	63,387	76,829	149,621	109,700		
Imports	80,723	49,006	57,999	15,553	3,779	41,412	42,439				
Total Available	152,556	149,541	137,970	118,403	104,474	132,589	120,876	176,638	164,200		
Stocks December 31	30,321	29,215	24,698	27,557	21,611	26,611	27,008	54,500	38,000		
Total Disappearance	122,235	120,326	113,272	83,208	105,978	93,868	122,138	126,200	126,200		
Exports	-	4,744	-	325	1,014	727	791	500			
Domestic Disappearance	122,235	120,326	108,528	90,845	82,884	104,964	93,141	121,347	125,700		
Soybean oil (Crude Basis)											
Stocks January 1	19,008	31,090	34,417	62,317	76,710	44,708	113,020	144,139	186,566		
Production	105,056	225,297	194,411	323,343	457,550	261,131	761,582	1,233,751	1,237,500		
Imports	14,249	7,187	29,752	4,258	4,126	11,914	-				
Total Available	138,313	263,574	258,580	369,918	538,386	317,753	874,602	1,377,890	1,424,066		
Stocks December 31	31,090	34,417	62,317	76,710	71,562	55,219	144,139	186,566	156,500		
Total Disappearance	107,223	229,157	196,263	313,208	466,824	262,534	730,463	1,191,324	1,267,566		
Exports	4,111	3,954	5,748	6,412	12,111	6,467	19,428	57,929	125,000		
Domestic Disappearance	103,112	225,203	190,515	306,796	454,713	256,067	711,035	1,133,395	1,142,566		
Corn oil (Crude Basis)											
Stocks January 1	27,951	21,202	25,507	18,471	27,978	24,230	81,547	34,418	26,039		
Production	99,788	127,171	127,466	136,729	150,555	128,342	247,648	238,600	213,400		
Imports	25,746	28,672	32,926	22,242	13,965	24,710	1,448	889			
Total Available	153,525	177,045	185,899	177,442	192,498	177,282	300,643	273,907	239,439		
Stocks December 31	21,202	25,507	18,471	27,978	34,849	25,601	34,418	26,039	25,300		
Total Disappearance	132,323	151,538	167,428	149,464	157,649	151,681	266,225	247,868	216,139		
Exports	833	929	444	113	180	500	2,844	8,484	250		
Domestic Disappearance	131,490	166,984	149,351	157,469	151,181	263,381	239,384	215,889			